

HCS HB 747 -- GAS CORPORATION RATE MAKING

SPONSOR: Miller

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Utilities by a vote of 11 to 1.

This bill establishes a voluntary rate proceeding for gas corporations. After completing a separate general rate case, a gas corporation may file with the Missouri Public Service Commission, in the same manner as a general rate case, to initiate the new rate proceeding. However, a prior completed general rate case shall not be required before filing if the gas corporation has completed a general rate case within the last 12 months before filing the initiating general rate case proceeding for the voluntary rate mechanism. If a gas corporation has had new rates effective in the past two years through a general rate case, then the commission shall treat the gas corporation's filing as a general rate proceeding.

The commission shall also approve a revenue stabilization mechanism using test years as part of the initial general rate proceeding to address revenue discrepancies due to weather and conservation related changes in usage by customers using 20,000 dekatherms or less of energy. Such a mechanism shall use a deferral account, and rates shall be adjusted to recover revenue.

After the third rate year effectuating an annual true-up only the gas corporation shall file a periodic rate review proceeding. The filing must include several parameters described in the bill. The commission shall schedule a hearing to resolve rate disputes if they persist between the gas corporations and other parties. A gas corporation may terminate it's participating in this update process at the conclusion of any updated test year.

Participating gas corporations shall also submit surveillance reports to the commission on a quarterly basis, and the commission shall then prepare a report for the General Assembly detailing the impacts of rate case modernization by or after December 31, 2025.

The bill requires each participating gas corporation to file tariffs, rate schedules, and the minimum filing requirements 45 days prior to the end of each updated test year, as detailed in the bill, to establish the revenue requirement for the annual true-up. Any rate changes as a result shall be put into effect on an interim basis. The commission shall submit its recommendation that the revenue requirement was correctly calculated within four months of filing, and shall create a procedure to adjudicate persistent conflict between parties.

This bill also provides that participating gas corporations may file tariffs within six months of the effective date of the bill, which the commission shall then approve provided they incorporate certain requirements.

The bill details how a participating gas corporation may file with the commission to establish or change an infrastructure system replacement surcharge (ISRS). A gas corporation must file a pre-qualification process for contractors to competitively bid for the installation of ISRS-eligible gas utility projects within 12 months of the effective date of the bill. A participating gas corporation shall file a verified statement of an existing pre-qualification process by January 1, 2019, and thereafter submit a verified statement that it is using a competitive bidding process for no less than 10% of the combined installation of ISRS-eligible projects with each subsequent petition to establish or change an ISRS. The commission shall report on the impacts of this ISRS filing process to the General Assembly by December 31, 2025 and annually thereafter.

PROPONENTS: Supporters say that the bill will enable gas corporations to have a modernized, more predictable rate creation mechanism. With more predictable rates, gas corporations can better serve customers. Similar legislation has so far been successful in the South, and has the potential to increase conservation measures for gas corporations.

Testifying for the bill were Representative Miller; Steve Lindsey, Laclede Gas; Missouri Energy Development Association; and Kevin Gunn, Natural Resources Defense Council.

OPPONENTS: Those who oppose the bill say that consumer groups were not consulted during the drafting of the bill, and as a result this bill does not address consumer concerns. The bill is so extremely complicated and convoluted that even experienced utilities law instructors fail to comprehend it. In-state rates will increase for the benefit of out-of-state shareholders, and this bill may have been filed to avoid Spire's upcoming rate reduction.

Testifying against the bill were David Woodsmall, Midwest Energy Consumers Group; John Coffman, Consumers Council of Missouri; AARP; Ed Downey, Missouri Industrial Energy Consumers; Greg Meyer, Brubaker & Associates, Missouri Industrial Energy Consumers; and Empower Missouri.

OTHERS: Others testifying on the bill say that the bill retains Public Service Commission authority, does not change existing economic development riders for gas utilities, and would allow past

revenue and service deficiencies to be considered during rate determinations. This bill requires annual true-ups as opposed to rate reviews at least once every three years.

Testifying on the bill were Natelle Dietrich, Missouri Public Service Commission and Mark L. Oligschlaeger, Missouri Public Service Commission.